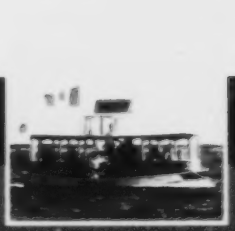
THE CITY OF
VICTORIA



Annual Report 2002

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THE CITY OF VICTORIA

Annual Report 2002

This document prepared by:
the Communications Division,
Finance Department and
Legislative Services Division
of the City of Victoria

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Message from the Mayor

Mayor
Alan Lowe

Over the past 12 months, the City of Victoria has confronted many changes and many challenges. Through it all, Council has sought to provide leadership based on a vision rooted in economic stability, environmental stewardship, heritage conservation, healthy neighbourhoods and regional cooperation.

There is still much work to be done on all fronts, however, I am confident that City Council, with the support of staff and citizens, will continue to build on the successes of this past year to ensure the achievement of our vision.

The year 2002 marked many milestone accomplishments, including a strong vote by Victoria residents to support a new Multipurpose Arena, paving the way for demolition of Memorial Arena and construction of a new facility in 2003.

Regional cooperation was elevated to a new level with the successful planning for an amalgamated Police force serving the communities of Victoria and Esquimalt. Our work in this area ensured a smooth transition when the change officially took effect January 1, 2003 and it will serve as a blueprint for the successful integration of services in other communities in the future.

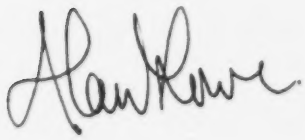
Effective local control over community services and resources saw another success with the transfer of Federal harbour assets to a local authority earlier this year. With the first stage of the divestiture process successfully completed, Victoria is now in a position to develop and implement its own vision for our city's "gateway"—one which serves as a backdrop for industrial, commercial, transportation, residential and recreational activities.

The City of Victoria has also been working diligently to model innovation in its own business operations. The year 2002 saw the culmination of many months of work invested in improving our enterprise systems (human resources, payroll and property taxes, permits and inspections), to ensure easier management and dissemination of information to staff and to citizens.

In November of 2002, I was honoured to be re-elected to serve as Mayor for another three-year term. I look forward to working with my fellow Council members in forging a renewed understanding of the priorities facing our city. In some cases, these priorities will reflect the continuation of work already underway and in other instances, new perspectives and insights will guide the development of new areas of focus.

One constant will remain. As the seat of downtown, the City of Victoria will continue to invest resources in improving its look and feel. We all stand to benefit from a healthy downtown core, the focal point for economic activity within our region.

In all that we do, public accountability is critical to our success, and public accountability is what this document is about. I invite you to read the information contained on the following pages with the aim of telling us what you think. The City of Victoria exists to serve its citizens and to serve them well. I trust and hope that after reading this document, you will agree that we are successfully achieving this goal.



Alan Lowe
Mayor

Message from the City Manager

City Manager
Joe Martignago

As I enter my third year as City Manager with the City of Victoria, it is once again an honor to have the opportunity to highlight the achievements of our various departments and relay some of the challenges that our City faces. 2002 was an extremely busy year for all of our staff and I would like to publicly acknowledge the talent, creativity, dedication and commitment that has contributed to many successes and achievements this year.

Four major achievements are highlighted in this report. 2002 marked an historic year of planning with the first amalgamation of two police forces within our region. The Victoria Police and the Esquimalt Police are now slated to join forces and offer services to both communities under one department in the upcoming year. In 2002, the City also completed a significant phase of planning for the replacement of the aging Memorial Arena. Through public consultation, lengthy contract negotiations and a successful public referendum, an exciting new plan emerged for the construction of a 7,000 seat sport and entertainment center for the City of Victoria. The new Victoria Harbour Authority was another significant achievement of 2002. The completion of several years of negotiations was celebrated this year and the Harbour Authority was finally incorporated after the National Marine Policy enabled the transfer of Canada's regional ports to local control. The other milestone highlighted in this report is the replacement of the City's outdated financial and property management systems. This is a significant project as it was a joint project with our neighbouring municipality of Saanich and it is central to the functioning of the City of Victoria. The new system will assist the City as we strive to improve the service we provide to Victoria residents, property and business owners.

Given the reduction of provincial and federal government support and the increase in additional responsibilities, 2002 has not been without its challenges. Through innovative problem solving, our

staff continue striving for creative solutions to maintain and enhance the quality of life for those who live, work and visit here.

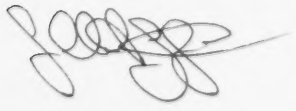
The city website continues to be a popular and helpful tool for the citizens of Victoria, for people interested in doing business here and for visitors. The site received an average of 2,610 visits per day.

2002 was one of the most challenging years in the long and proud history of the Victoria Fire Department. The main focus of the Department's energy was spent on developing and preparing for the implementation of a fire service agreement with the Township of Esquimalt. Although the fire service agreement was regrettably terminated by Esquimalt prior to its planned implementation on January 1, 2003, Victoria was ready to provide this service.

2003 will continue to be a year of new initiatives. Our new confined Fire Fighter Space Rescue Team should be operational in the third quarter of 2003. The Canadian Baseball League will make its new home at Royal Athletic Park in the spring of 2003 and a Downtown Action Plan will be launched in conjunction with the Vancouver Island Health Authority and the Victoria Police Department.

Victoria's continued vision is to be a liveable, vibrant, blue-green heritage city that is known for its caring and friendliness. Driving this vision are our active citizens, diverse elected Council and professional staff. All are committed to the social, economic, cultural and environmental well-being of our community.

I think you will agree the City of Victoria continues to be a very desirable place to live in, work in, and visit. Again, thanks to all staff and Council members for their leadership, energy and dedicated service.



Joe Martignago
City Manager

Memorial Arena

Thanks for the Memories

2

cost in dollars to attend last Friday Night Skate

30

number of years the developer will operate the facility on behalf of the City

71

percentage of Victoria citizens who voted in favour of a new facility

202

number of pages of all the legal agreements

415

number of building keys turned over to R.G. Properties' Graham Lee by Mayor Alan Lowe

Victoria residents saw the 53-year-old Victoria Memorial Arena, a former City icon and downtown reference point, become a concrete shell at the end of 2002. Hoarded, boarded and gutted, the old "Barn on Blanshard" appeared markedly different from the beginning of the year when its ultimate fate was not yet assured.

City Council approved a $30,000,000 Loan Authorization Bylaw early in 2002 that paved the way for the eventual demolition of the Memorial Arena and the construction of a new 7,000 seat multipurpose facility. This initiated two significant staff projects: developing a Partnering Agreement with the selected developer, R.G. Properties, and holding a referendum that would allow the residents of the City to vote on whether or not to proceed with the project.

Prior to voting day, and as a regional demonstration of support, the City received financial commitments from four neighbouring municipalities: Saanich, Oak Bay, Esquimalt and View Royal. On April 20, 2002, Victoria residents voted over 71 per cent in favour of proceeding with the new facility and entering into a binding agreement with R.G. Properties. Immediately following the vote, a bylaw was adopted formalizing the Partnering Agreement with the developer. City staff then embarked on a summer long project, expanding this agreement into a Design Build Contract, a 30-year Operating Agreement, a Guarantee and Security Deposit Agreement, and the facility Design Drawings and Performance Specifications.

City staff prepared documentation for the site consolidation while negotiating with the developer and drafting the necessary materials for Council approval. Staff also met with various committees and stakeholder groups; prepared plans for the closing ceremonies; initiated investigation of existing environmental and traffic management issues; drafted plans for absorption of Memorial Arena workers into other City departments; and commenced work on the sale of building

assets in anticipation of Council approval of the agreement package. These efforts were rewarded when on October 10, 2002, Victoria City Council unanimously approved the complete set of agreements.

Week-long closing ceremonies in late September and early October included old-timer hockey games, the last traditional "Friday Night Skate" and a number of musical concerts. These events were attended by thousands of City residents and highlighted by the decommissioning of the Veteran's Memorial. All necessary legal documents were signed in early November and the site turned over to R.G. Properties. In the final two months of the year, the interior of the arena was completely removed, with many of the assets sold to other municipalities and organizations. Some residents even purchased their old seats as souvenirs.

Memorial Arena Final Friday Night Farewell Skate - September 2002

Citizens now look to the future as the old arena site starts to develop. Opening day for the new facility is scheduled for the end of August 2004. Eighteen months remain to construct the new facility. Other related projects will proceed in concert with the arena development during 2003. These include the public art to be installed as part of the civic plaza, the design of the expanded Veteran's Memorial, a new Greater Victoria Sport Hall of Fame, and a continuing effort to develop an environmentally sensitive project. R.G. Properties, also the arena operator, is already booking events for 2004 and beyond, and with the much-anticipated arrival of a Western Hockey League team, the corner of Blanshard and Caledonia is promised a busy future.

1,800

number of off street parking spaces available within a 10-15 minute walk of site

2,000

number of guaranteed community use hours City will receive in new arena

5,021

number of commemorative stamp sheets printed (to match the number of seats in the old arena)

9,000

maximum capacity of new arena

225,800

amount in dollars the City will receive on an annual basis for 10 years from neighbouring municipalities

Police Department

Amalgamation Report

On July 26, 2002, B.C Solicitor General Rich Coleman announced the amalgamation of the Esquimalt and Victoria Police Departments effective January 1, 2003.

A transition committee was established to make recommendations to the Solicitor General and was chaired by Kevin Begg, Director of Police Services. Other members were: Norm Simmons, Chief Constable, Esquimalt; Paul Battershill, Chief Constable, Victoria; Joe Martignago, City Manager, City of Victoria; Mark Johnston, Chief Administrative Officer, Township of Esquimalt; Don Bland, Victoria Police Union; and Bob Martin, Esquimalt Police Union.

This transition committee adopted an inclusive approach, involving five interest-based sub-committees, reporting to the main transition committee. Integral to the work of these sub-committees was the participation of rank and file officers, unions, management, local mayors and the provincial government. The 48 officers and civilian sub-committee members were asked "How can we do this to produce the results we need?", and the resulting interest-based team approach dealt with an extraordinary number of decision items in an extremely short 14 week time period.

The principals and goals of the Finance Sub-Committee were to:

- include the full cost of providing police services to both communities
- provide options that would achieve cost neutrality for both communities
- ensure that one-time transition costs were reasonable, separated from ongoing cost, and not included in determining cost neutrality

- ensure additional costs were the result of amalgamation and not due to past inefficiencies or lack of resources
- provide a funding formula that is fair and equitable to both communities

The Administration Sub-Committee dealt with issues relating to transition and amalgamation: the name of the new amalgamated department, uniforms, standardizing firearms and other police equipment, policies and procedures.

The Human Resources Sub-committee addressed issues relating to transition and amalgamation. Emphasis was placed on blending the two departments versus placing the members of the smaller department into less desirable positions. Additionally, the issue of merging Esquimalt civilian staff into the larger amalgamated force was resolved successfully, along with issues of seniority, career pathing, training, and orientation.

Thirty-two sworn members and seven civilian members from the Esquimalt Police Department were integrated into the new amalgamated department. The net personnel combination of both departments will be 179 Victoria members and 32 Esquimalt members—211 members in total.

The Governance Sub-Committee developed service models including the size, composition and representation of the new amalgamated police board, within the Police Act. The board will be tasked with setting priorities, goals and objectives of the new police department and developing the annual police department budget.

The Operational Sub-Committee developed a service model for a new management structure, deployment of services, and a geographic zone-based structure, versus the previous structure of internal divisions based upon functional responsibilities. The new police department is a mixed model of functions and locations, operating within three new geographic patrol zones.

"This transition committee adopted an **inclusive** *approach, involving five interest-based sub-committees, reporting to the main transition committee... and the resulting... approach dealt with an extraordinary number of* **decision items** *in an extremely short* **14 week** *time period."*

*"**Integral** to the work of these sub-committees was the participation of **rank and file** officers, unions, **management**, local mayors and the provincial government."*

The combination of members from both departments now permits an increase in front line primary response officers, community and school liaison officers, beat and bicycle units, as well as specialized targeted enforcement and surveillance units.

The resulting policing model has the following features:

- re-distribution of resources from both departments into three independently functioning geographic zones each assigned with a senior officer and resources directly responsible for service delivery
- strengthening of front line primary response patrol units
- a method of service delivery that prioritizes community policing, with a particular emphasis on interaction with youth and schools
- extensive use of specialized police units within each zone to target issues and problems

The successful amalgamation of the Victoria and Esquimalt Police Departments and the resulting policing services to the two communities is likely to be the model of intermunicipal police co-operation for years to come.

Victoria Police Board 2002

Mayor Alan Lowe	(Chair)
Maureen Meikle	(City Appointee)
Jannit Rabinovitch	(Provincial Appointee)
Tyna Mason	(Provincial Appointee)
Bruce Gibson	(Provincial Appointee)
Walter Donald	(Provincial Appointee)
1 Vacant Position	(Provincial Appointee)

Enterprise Systems Project

2002 Update

In 2001 the City made a decision to replace its aging financial systems with J.D. Edwards (JDE)–a comprehensive finance and human resources management system–and to purchase "Tempest", a property management system. The goal was to provide flexible integrated systems to increase functionality, allow easier access to timely management information, and improve productivity and service, thereby providing better value to taxpayers.

"The goal was to provide flexible integrated systems to increase functionality, allow **easier access** *to timely management information, and improve* **productivity** *and service, thereby providing* **better value** *to taxpayers."*

Early in 2002, the District of Saanich and the City of Victoria agreed to a joint implementation for the JDE Enterprise Resource Planning system. The main modules of the new JDE system are: financials, purchasing/inventory, human resources/payroll (Victoria only), and operations. The Tempest Property Management System includes modules for land management, property taxation, utility billing, permits and inspections, calls for service, business licences and municipal ticketing. The District of Saanich already uses the Tempest system.

Although two distinct municipalities were involved in the JDE implementation, it was treated as "one" project and as a unique model in the software industry. Joint implementation produced substantial savings through the sharing of implementation consultants and training costs. An additional benefit from this project is anticipated to be a more productive long-term relationship between the two municipalitites due to the sharing of knowledge and experience.

Costing and schedules for the joint JDE project and the Victoria Tempest project were built around the following basic assumptions:

- both Saanich and Victoria had strong executive commitment for the projects' success and ensured that all necessary resources were available when needed by the project teams

"Joint implementation produced **substantial savings** *through the sharing of implementation consultants and training costs."*

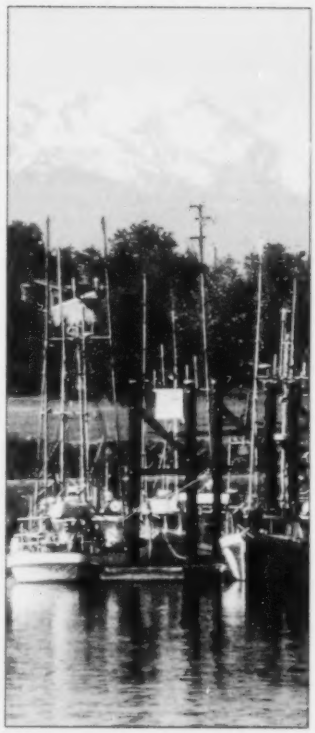
- success of the project was dependent on the "buy-in" and cooperation of the end-users in each municipality
- no software modifications – Saanich and Victoria would modify their business processes to match the "best practices" built into the new systems
- for JDE, no (or minimal) historical data conversion from the previous legacy systems

A joint JDE project organization was developed which included a joint steering committee, co-project managers from Saanich and Victoria, and a joint project team including staff from each municipality for each module of the new JDE system. Members of the joint implementation team worked from the City of Victoria's Enterprise Systems Project office at 625 Pandora, along with members of the Victoria Tempest Implementation Team.

The Tempest implementation began in January 2002. Phase 1 (land, property tax, utility billing, local improvements and cash functions) went live in April, while phase 2 (building permit processing, business licences, calls for service, municipal ticketing and web functions) was completed by November 2002. For the joint JDE implementation project, team training began in March with the launch for financials, inventory/procurement and operations planned for January 1, 2003. Implementation of payroll and human resources will begin in April 2003.

The Greater Victoria Harbour Authority

Established 2002



The largest ever divestiture of harbour lands in Canada took place on April 10, 2002, when the newly incorporated Greater Victoria Harbour Authority (GVHA) became the owner of the Fisherman's Wharf, Government Street/Ship Point and Wharf Street facilities. And on June 26, 2002 Ogden Point was also transferred to the Authority following Federal Treasury Board approval. This is the first harbour divestiture to ever include a full partnership with two First Nations Bands: the Songhees Nation and the Esquimalt Nation.

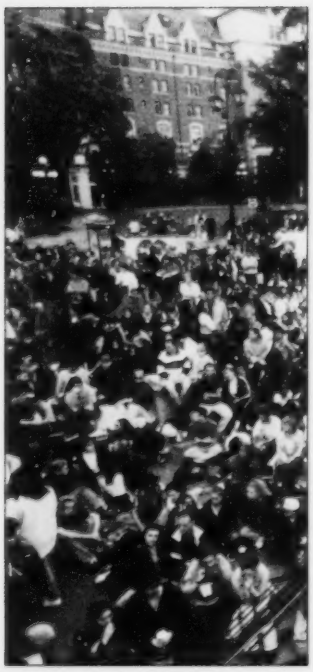
The City of Victoria was an integral part of the negotiations with our City Manager, Joe Martignago, joining the negotiating team. Once the Authority was established Victoria continued its involvement with a seat on the Board of Directors held by Councillor Bea Holland.

Ownership and operation of the harbour remains a complex issue and partnerships will be particularly important for the success of the GVHA's operations. The City of Victoria owns a number of properties close to the Authority facilities, at Ship Point and on Wharf Street. Currently the City also leases the Lower Causeway and Floats from the GVHA.

Victoria now has an advocate for its harbour and an organization that can lead its transformation. The Port of Victoria is a major sea and air transportation centre, a location for marine industry, a destination for tourists, a residential area, and a setting for the arts and many special events. It is the heart of Victoria and defines the City's identity. The potential for change in the harbour is enormous and Victoria will continue working with the Authority as it begins its journey.

2002 Corporate Highlights

A VIBRANT CITY



Victoria is the heart of the region and capital of the province. City staff work to strengthen the economy, foster innovation and create new and exciting opportunities for the people who work in and visit Victoria.

Over the past year building activity has significantly increased and new businesses continue to prosper. Additionally, the City's infrastructure has received ongoing attention and repair.

The year 2002 marked another successful year for the Victoria Conference Centre generating $42.4 million in economic spending within the community. A city-wide marketing strategy began and has been expanded to maximize economic impact on the community. Expansion plans may be earmarked for the future.

Victoria proudly supports the retention and expansion of advanced technology companies including funding to the Vancouver Island Advanced Technology Association (VIATeC) to undertake its Human Resources Forum as well as the VIATeC annual awards. VIATeC also carries out functions important to the City such as developing information packages as part of a strategy to attract call centres and playing an important role in assisting and fostering high tech start ups. New technologies ensure the City can continually evaluate, be cost efficient and be assured that hardware and software is well managed and well balanced.

Achievements in 2002

- **Created an Online Payment Interface**

Permitting online payment of parking tickets, business licenses and utility bills has been a cost effective manner to reduce administration costs and create a convenience for the public.

- **Implemented a New Recreation Management System**

"Class", the new system, was implemented to provide access to all City recreation centres via the Internet. The system will improve customer service by making registration for recreation programs simple.

- **Developed a New Liquor Licensing Policy**

This policy was drafted and approved by Council and implemented between April and October 2002, providing the City with a clear process for the review of liquor-licence applications and a more effective compliance and enforcement program.

- **Issued 147 Special Event Permits**

The number of film permits and number of locations used for filming nearly doubled since 2001. The City supported 55 different festivals and special events through festival investment grants and City services in 2002.

- **Significant Development Projects Completed**

21 Dallas (Shoal Point condominium), 60 Dallas (condominium), 861 Fairfield (Mt. St. Mary's) 1900 Fort (Royal Jubilee Hospital), 840 Humboldt (senior care facility), 2631 Douglas (senior care facility), 625 Fisgard (CRD building), 721 Government (Empress Hotel), 120 Kingston (time share/condominium), 626 Blanshard (church), 254 Belleville (ferry terminal), 1215 Broad (office building), 21 Erie (condominium), 645 Tyee (high-rise, condominium) 646/648 Herald (commercial/condominium), 525 Fort (commercial), 728 Humboldt (hotel and office).

- **Signed Nine Agreements of Purchase and Sale**

Gross revenues from these completed sales exceeded $3,200,000. The largest sale was the Buckerfield site.

- **Approved 22 Leases**

City Council approved leases with a total gross lease revenue of approximately $1,400,000 for 2002.

Did You Know?

- *The Victoria Conference Centre attracted over* **89,000 attendees** *to* **252 events**.

- **750 banners** *fly on downtown streets each year.*

- *Approximately* **8,700 business licenses** *and* **153 sign permits** *were issued in 2002.*

Did You Know?

- *Interest in the City Archives increased substantially:* **3,300 research inquires** *and* **2,100 personal visits** *to the Archives in 2002. This is an average increase of more than* **50 per cent** *from the 1990s.*

- *There is currently over* **30 kilometers** *of non City fibre optic cable in the City owned duct system.*

- **Created a Business Support Division in the Finance Department**

This Division identifies and pursues additional and/or alternative sources of revenue for the City and also undertakes Risk Management.

- **Held Two Elections Using Electronic Vote Tabulators**

This technology and related changes in the administration of these elections, further reduced election costs by over $30,000 compared to the costs of the last civic election in 1999. Voter turnout for the referendum of the new arena facility was 27.6 per cent of registered voters. Turnout for the civic election was 31.33 per cent of registered voters.

- **Integrated the Purchase Card System with the New Financial System**

The Purchase Card system developed in 2001 was modified to integrate with JD Edwards, the new City financial system. The system was provided to the Municipality of Saanich so that both municipalities could benefit from implementing the electronic purchase card tracking and management via web interface and save money on training costs.

- **Began Installing More Efficient Desktop Technology**

Implementation of the new Enterprise Resource Planning (ERP) System has allowed the City to begin deployment of 'thin-client' technologies to desktops, resulting in a 33 per cent cost savings over the leased desktop model.

- **Undertook Two Grant-Funded Projects in Archives**

New computer technologies enabled the digitization of over 4,000 images and records, improving access of the City's Archives via the Internet and in the reference room.

- **Changed the City's Print Shop Operations**

The Print Shop operations changed with the transfer of the telephone switchboard function to the Public Service Centre which eliminated overlapping responsibilities. This change reduced staffing and therefore, costs to the Print Shop, which now operates with one full-time and one regular part-time staff.

A BLUE-GREEN CITY

Victoria is blessed with environmental riches of land and sea. Protection and stewardship of the natural environment is key to maintaining the exceptional quality of life Victorians enjoy.

Protection of the City's inner harbour, waterways, parks, ocean cliffs, beaches and trees are increasingly a focus of every development applications, work plans and staff reports. Pesticide use, green buildings and greener parking lots are some environmental initiatives that received attention in 2002.

In November 2002 the City received funding from BC Hydro's PowerSmart program, to identify energy conservation initiatives throughout several City owned facilities. The initiative offered wage cost sharing for City staff working on the program and BC Hydro will match any corporate expense on a proven project or initiative.

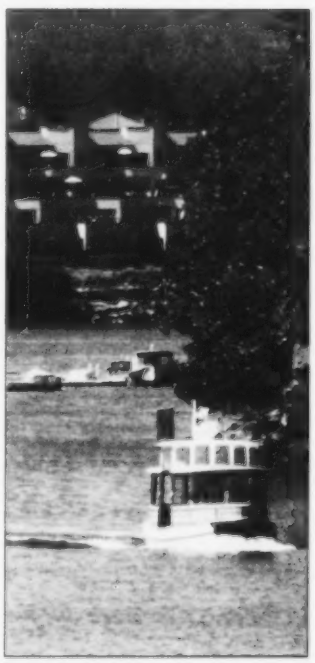
Achievements in 2002

- **Completed Phase One of the Beacon Hill Park Management Plan**

A Round Table process resulted in completion of a report entitled *Achieving Peace in the Park – A Strategy to Restrict and Control Commercialism in Beacon Hill Park*. From this work, an activity assessment framework was developed to assist in evaluating requests for special events in the Park. City staff also partnered with the Friends of Beacon Hill to create an inventory and map of wild flower areas of interest.

- **Received Funding for Energy Efficiency**

As part of the BC Hydro Incentive Funds, the City received 60 per cent of the funding needed to replace the lighting in all four City-owned parkades with energy efficient lights. In 2004 the City will apply for more funding as energy audits are completed.



Did You Know?

Integrated Pest Management (IPM) continues to **lead the way** *in the Capital Region and the coordinator is* **sought after** *as a local expert in the field.*

The IPM coordinator co-chairs the Invasive Species Sub-committee of the **Garry Oak Ecosystem Recovery Team** *(GOERT).*

1,400 tonnes *of leaves were* **recycled** *from Victoria's streets.*

Earned Revenue From Energy Saved

As well, the City will receive dollars for kilowatt hours saved each year (BC Hydro E-Points), to be used towards energy savings projects the following year. Because of the energy savings achieved in 2002 the City will be entitled to $18,000.

Added New "Dedicated" Natural Gas Powered Vehicles

The first of 10 natural gas powered vehicles were added to the City's fleet. The vehicles operate solely on compressed natural gas and will aid in reaching tailpipe emission reduction goals.

Shared Upgrade Costs with the Department of National Defense

The Federal Government contributed $800,000 to the City of Victoria to offset the majority of the installation costs for the Admirals Road Water Main Upgrade. This arrangement proved advantageous to both parties as the Department of National Defense was able to secure the volume of water required for their base upgrade and the City was able to replace one kilometer of water main due for replacement within 10 years.

Developed Regional Codes of Practice

Throughout the year City staff were actively involved with a Regional Committee working on development of Codes of Practice to supplement the Storm Water Quality Bylaw. One staff member, Mr. Gary Pleven, was honored by receiving an Eco Star Award – for Excellence in Environmental Protection as a result of the leadership role he played on the Regional Committee.

Completed the Cecelia Ravine Creek Project

The Cecelia Ravine Creek Project was completed with the inclusion of improvements such as: lighting, parking, stairs, site furnishings and plantings.

Received a Federal Grant to Upgrade the City's Waterways

In July of 2002 the City of Victoria was notified that its Federal Infrastructure grant application, for environmental protection of the Inner Harbour, was successful. The total value of the grant is

$1,620,402 and will be used for "upgrading aging storm water infrastructure in the Victoria Harbour/Gorge Waterway including constructing oil and sediment interceptors at the sewer outfalls and replacing old style road-side catch-basins". This program is scheduled to conclude on March 31st, 2006.

- **Improved Dallas Waterfront**

$300,000 in improvements to the Dallas Waterfront pathway included replacement of the walkway, new signage, litter containers and plantings.

- **Implemented a Program to Convert Traffic Lights to LED Technology**

The traffic signal program partially converted 114 signalized intersections to Light Emitting Diode (LED) technology. The change will save the City up to $80,000 annually in power consumption costs. The reduced power consumption also gives the City calculated Green House Gas credits.

- **Recycled 2,458 Tonnes of Asphalt**

The asphalt plant drum was replaced which improved the quality and output. $5,000 in savings at Bay and Tyee streets was realized from using recycled asphalt mix.

- **Implemented Erosion Control Measures**

Shoreline erosion control measures were implemented in Banfield Park, along with a major reconstruction of a portion of the waterfront walk.

- **Installed Automated Irrigation Systems**

Automated irrigation was added to several parks.

- **Amended the Plumbing Bylaw to Guard Against Pollution**

The City amended the Plumbing Bylaw to enable the Capital Regional District to fully administer and enforce its new bylaw on grease and oil control in sewers.

- **Created More Public Access Along Shoreline**

To open the harbour to greater public access and enjoyment, new public paths were constructed north from Herald Street along the harbour shoreline behind Value Village and around Trend West's "Texaco Point" as conditions of rezoning.

A HERITAGE CITY

Victoria is often defined by its architecture and cultural heritage and preservation of this heritage is a priority for the City. Grant and tax incentive programs protect Victoria's built heritage and in 2002 the City granted 23 Heritage Alteration permits.

Victoria's cultural heritage is also maintained through a variety of cultural events and activities. Community arts play a vital role in building a healthy community and in the expression of a community's diverse cultural traditions. Community arts enrich and enhance our lives and promote understanding between cultures and sectors. They also contribute significantly to the economy, being a vital and growing part of the educational, entertainment, tourism and hospitality sectors.

Did You Know?

- *The Festival Investment Grant program allocated* **$93,000 towards 19 events** *undertaken by* **17 organizations**. *The City's festival investment leverages* **$3.3 million** *in the community.*

- **International Youth Week** held every year the first week in May, celebrates all the great things youth do.

Achievements in 2002

- **Completed the City's Heritage Plan**

The study examined all aspects of the City's Heritage Program in consultation with the public, including future opportunities and constraints. Future options were identified.

- **Completed a Federal Conservation Standards Study**

This study involved the heritage planner working with provincial representatives and a consultant to test new National Heritage Conservation Standards. Victoria's Heritage Alteration Permits were used as test case studies.

- **Hosted the Third Successful Year of Luminara**

Luminara continues to grow and has become one of the most popular free summertime evening events attracting large crowds of citizens and visitors. The evening brings together people of all ages, lifestyles and cultures to view creative hand crafted lanterns of all sizes and shapes, acoustic music, performance artists and pageantry.

- **Sold 625 Fisgard Street**

The CRD bought 625 Fisgard Street for the construction of their new Environmental Services Headquarters Building. The heritage facade of the building was preserved.

- **Received Referendum Approval for a new Victoria Multipurpose Centre**

This successful referendum and signing of final contracts by developer RG Properties paved the road for a new sport and entertainment facility in Victoria. "Thanks for the Memories" celebrations organized by City staff provided a range of opportunities for the public to bid a fond farewell to the old arena.

- **Launched the Greater Victoria Youth Website**

In partnership with neighbouring municipalities, City staff provided leadership in launching the youth website (www.youthvictoria.com). This is the "go to" place on the Internet that encourages youth to become involved in events, activities and community happenings close to home. Staff helped promote National Youth Week with special events and celebrations within the City.

- **Promoted Community Arts Awareness Week**

City staff assisted in the organization of a major Craft Symposium where three of the City's many outstanding artists were honoured fortheir contributions to Victoria. Out of the synergies developed in this event, an Island Artisans Association was formed.

- **Completed Preliminary Design Plans for Ross Bay Cemetery**

Preliminary design plans for the Ross Bay Cemetery Peimeter were completed and will be finalized through further consultation with

Did You Know?

- *Over* **25,000** *people attended activities scheduled at the Beacon Hill Park* **Cameron Bandshell** *including concerts, interdenominational church services, entertainment, runs/walks, dances, and other events.*

- *For over* **40 years** *the city has been co-sponsoring free, live outdoor concerts through the* **Music Performance Trust Fund**.

- *Over* **17,000** *visitors and residents enjoyed* **Summer in the Square** *festivities at Centennial Square.*

- *The Bastion Square Festival of the Arts generated over* **$150,000** *to revitalize* **Bastion Square**.

Did You Know?

- The Victoria Fire Department's Historical Society is restoring a **1925 LaFrance fire truck**, which saw service in the City from 1925 through 1961.
- **Seven tonnes** of refuse was collected and **four tonnes** of cardboard was recycled as a result of **clean up** after community special events.

key stakeholders. In partnership with the Old Cemeteries Society, an inventory of unused plots in the Cemetery was also completed and a business plan involving the sale of these plots and the reactivation of the Cemetery is being developed as a means to support the planned improvements and the ongoing maintenance of this National Heritage site.

A CARING CITY

Victoria is a welcoming city that seeks to be tolerant and encourages diversity.

Customer service reports reinforce Victoria's long standing reputation as a 'friendly city'. The City has realigned its resources to focus on supporting neighbourhood development, dealing with drug use and homelessness and facilitating new initiatives in the area of community and cultural development.

Achievements in 2002

- **Continued Support for the Adult Outreach Project**

Following the evaluation of the downtown Adult Street Outreach Project, Victoria City Council confirmed its ongoing support for this program overseen by the Open Door.

- **Strengthened Review of Downtown Neighbourhood Needs**

Staff worked closely to strengthen the Downtown Neighbourhood Association and to assist with strategic planning. A coalition of service providers interested in downtown issues, known as the Downtown Group, is supported through the City's leadership. The group continues to meet regularly and works collaboratively to discuss and resolve issues.

- **Assisted the Homeless**

The City played a lead role in securing $1.2 million in Federal Funding for Homelessness initiatives within the City of Victoria. The City and the United Way teamed up to develop a needs assessment and a series of workshops aimed at developing the skills of nonprofit organizations that work with the homeless.

- **Provided Recreational Services to Low Income Families and Individuals**

In 2002, 1,473 people in Victoria used this program, called Leisure Involvement for Everyone (LIFE), to participate in the many recreation programs offered by the City.

Did You Know?

- **38 community organizations** are responding to downtown needs.
- The Housing Affordability Partnership has linked **12 community sectors** together.

A LIVEABLE CITY

Victoria is an attractive, liveable and active city for people of all ages. The City invests in its public spaces and is committed to keeping the city safe and clean. Safety of city streets and sidewalks remains a priority along with a continued focus on maintaining the features that make Victoria one of the most desirable places to live in Canada.

Education and training make Victoria a sophisticated and self-sufficient place to live. Conserving neighbourhood identities continues to be seen as paramount to creating a strong sense of community.

It is noteworthy that more initiatives involved partnerships and created closer working relationships with neighboring municipalities, between various governments, departments and other stakeholders. Key examples of the success of these partnerships is demonstrated by the new financial operating system which saved both Saanich and Victoria money through cost sharing and with the amalgamation of the Esquimalt and Victoria Police Forces.

Achievements in 2002

- **Hosted Workshop for Community Leaders**

City staff hosted a workshop for community leaders to look at creative

Did You Know?

- *The Crystal Pool had approximately* **328,000 visitors** *in 2002.*
- **24,775 people attended** *events and* **16,315 people participated** *in events at the Royal Athletic Park in 2002.*
- **314 bylaw** *enforcement cases were opened,* **309** *were closed.*

ideas for park, cultural and public art development.

- **Trained Search and Rescue Volunteers**

The City's Search and Rescue volunteer group completed 4,906 hours of volunteer training. Actual searches in which they were deployed found them responsible for the recovery of three missing persons.

- **Conducted a Fire Safety Workshop**

In preparation for a new Federal Electrical Code, City staff offered a workshop and prepared an information binder. The workshop was very well received and the City received many requests to publish the information binder. Through education workshops such as these the City hopes to substantially reduce the loss of life and property due to fire.

- **Sponsored Workshop Series to Manage Sports Fields**

City staff sponsored a series of workshops with sport-field users who are now working cooperatively to maximize field usage and to develop a long-term plan for field development.

- **Improved Sidewalks and Streets**

Safety of city streets and sidewalks were improved through the restoration of 2,860 metres of curb and gutter and 5,364 sq. metres of sidewalks. Street and sidewalk surfaces were smoothed to help alleviate trips and falls. The North Jubilee road study proceeded in an effort to protect that neighbourhood from cut-through traffic.

- **Established a Livable Cities Team**

Directors and representatives from various City departments make recommendations and provide input for prioritizing budget and work programs to advance City planning.

- **Created a Framework to Address Downtown Issues**

This framework was developed to address social and economic problems facing the downtown core. The Victoria Agreement will provide a platform for developing partnerships with the private sector and senior levels of government to focus attention and resources on downtown.

- **Opened the Victoria Youth Park**

Community grants and corporate contributions helped to raise $250,000 for the building of the Victoria Youth Park which was opened in June 2002. The Park was developed by Victoria youth with support and assistance from City staff. It is home to a new skateboard facility that accommodates BMX, rollerbladers and skateboarders and a new basketball court supported through funding from the Steven Nash Foundation. A Skateboard Operations committee continues to oversee the activities within the park.

- **Upgraded Recreational Courts and Playgrounds**

The City received a grant from NIKE for basketball courts in Victoria and as a result six courts within the community received upgrading. Several playground improvements were made in neighbourhood parks and two major tennis courts were resurfaced.

- **Supported Youth Soccer**

In Oaklands Park, City staff partnered with the Bays United Youth Soccer Association, in putting the finishing touches on $86,000 worth of capital improvements to the soccer field. The improvements will increase the capacity of the field to host more games and events.

- **Redrafted the City's Noise Bylaw**

Community input has resulted in a redraft of Victoria's Noise Bylaw. The new bylaw will be based on objective standards for noise instead

Did You Know?

- *Victoria Fire Department responded to* **5,294 incidents** *in 2002, a decrease of* **eight per cent** *from 2001.*

- *Three major fires caused a fire loss of* **$4.7 million**. *This loss is* **58 per cent** *higher than the last ten-year average.*

- *Fire inspectors provided fire safety lectures and conducted fire evacuation drills for* **1,600 people**.

Did You Know?

- *For the second year there have been* **no fire-related deaths.**
- **2,100 street lamps** *and* **96 cluster globes** *were replaced due to breakage.*
- *Approximately* **24,800 metres** *of sewer and storm drain mains were inspected with the use of close circuit television and approximately* **175,800 metres** *of sewer and storm drain mains were cleaned.*

of the current subjective assessment of nuisance. The City will have three noise districts: activity, intermediate and quiet, and address three types of noise: tonal (e.g. running fan or motor), impulsive (e.g. crushing car bodies) and intermittent (e.g. barking dogs) to cover the range of uses and noises under municipal authority.

- **Hosted the 2002 Recreation and Parks Association Conference**

Due to the efforts of City staff, Greater Victoria was host to this Conference, which saw more than 400 delegates in attendance.

- **Hosted a First Annual Dog Swim**

The Crystal Pool hosted a first Annual Dog Swim in August prior to closing for its annual refit and repairs. More than 500 dogs took the splash which received media coverage internationally (CNN, BBC), and raised money for the LIFE (Leisure Involvement For Everyone) program.

- **Completed the James Bay New Horizons Facility**

The Facility Space and Planning Study was completed for this building.

- **Combated Graffiti on Private Property**

One City staff member was assigned to enforce Victoria's Anti-Graffiti Bylaw and administer the program. The goal is to help residents and businesses achieve the same level of success enjoyed by the City in combating graffiti.

The City's graffiti program remained very active this year, inspecting and cleaning the downtown core on a daily basis and all other graffiti issues were dealt with within 24 hours of notification.

- **Completed Study on the View and Vancouver Street Intersection**

A Road Settlement Study was completed for this intersection. This will be a 2004 capital project to stabilize the foundation for the intersection, which is sinking due to the ground water table lowering.

- **Underground Electrical Kiosk Installation**

An underground electrical kiosk was installed on the north-east corner of the Blanshard and Johnson Street intersection that is safer than above ground kiosks and does not pose as a canvas for graffiti. A similar kiosk will be added in 2003 on the south west corner of the Government and Belleville Street intersection.

- **Assisted in More Emergency Situations**

The conversion of a former Public Works van to an emergency mobility unit helped the Victoria Emergency Program and the Emergency Social Services teams support over 300 citizens who suddenly found themselves without homes due to fire or other personal tragedy.

- **Revitalized the Emergency Neighbourhood Program**

This program involves placing emergency supply containers in neighbourhoods and training block captains who will assist their neighbours in times of an emergency.

- **Requested Firefighters Applications**

To develop a pool of firefighters, the Victoria Fire Department reviewed 250 individual applicants.

- **Adopted Priorities for Bylaw Enforcement**

The Council adopted a four-item priority list for bylaw enforcement: 1) Significant fire and life safety, 2) City Liability, 3) Nuisance, 4) Other. Council also endorsed a policy that states that concerns from the public must be presented in writing.

- **Developed a Crime Prevention Guidelines Brochure (CPTED)**

The brochure was developed in consultation with Police and Design Panel to provide information on how to design safer built environments that deter crime.

Did You Know?

- ***1,200 tonnes** of refuse was collected from litter tubs and an additional **2,090 tonnes** was collected from streets & sidewalks.*

- *A specific operational goal this year was to focus energies on City staff safety. The provision of safety training and audit programs has resulted in a **17 per cent** reduction in injury claims from 2001 as well as a **40 per cent** reduction in number of days lost. This equates to significant cost savings.*

Message from the Director of Finance

Director of Finance
Keith Dowdall

Finance Department
#1 Centennial Square
Victoria, British Columbia
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Tel (250) 361-0573
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I am pleased to submit to Council an audited report covering the annual financial statements of the City of Victoria, in accordance with section 328 of *The Local Government Act*. These financial statements include the consolidated statements of financial position of the Corporation of the City of Victoria as at December 31, 2002 and the related consolidated statements of financial activities, changes in financial position, and changes in the reserve, operating and capital funds and the fund balances for the year.

The Consolidated Financial Statements of the City of Victoria provide important information about the overall financial condition of the City. They form a comprehensive financial picture used by City Council and other levels of government, as well as by other interested readers including the citizens of Victoria, other municipalities and the media.

The year 2002 resulted in an improved municipal position ($14.0 million) due to an increase in the equity in physical assets ($9.0 million), an increase in reserve funds ($4.8 million) and a net surplus in the operating funds ($2.1 million). These were offset by an increase in unfunded employee benefits ($1.9 million).

The City's revenue increased by $11.2 million mainly due to an increase in the sale of goods and services ($4.3 million), taxes ($3.4 million) and the sale of water ($2.6 million), offset by a reduction in interest and penalties ($.7 million).

Our largest expenditure increases were in the water utility due to increase in cost of water ($2.9 million), parks, recreation and cultural services ($2.4 million) and in the protective services ($1.5 million), offset by a decrease in transportation services ($3.4 million) due to a reduction in capital spending.

Like many other municipalities the City of Victoria is faced with increasing expectations from its citizens for protection and safety of the community, improved services and quality infrastructure. These demands must be balanced within a framework of acceptable tax levels; the prudent use of debt financing and ensuring the City has adequate reserves. To address this challenge City Council has adopted a five-year financial plan that projects the expected revenues and expenditures over this time period and includes a capital funding strategy while rebuilding some key reserves.

The year 2002 was in many ways a transition year. Finalization of the multiplex agreement was completed that concluded with a successful referendum demonstrating the support of the citizens of Victoria have for this project. The City also initiated the financing of the multiplex for $10 million of the $30 million borrowing required by locking in a favorable interest rate below the projected budget which reduces the risk of future volatility in the capital markets. Planning for amalgamation of the Victoria and Esquimalt Police Departments was completed and established a financial framework that could be used as a model for possible future amalgamations within the region. In addition, an agreement that would have Victoria providing fire services to Esquimalt was negotiated and approved by both Councils. Unfortnately prior to this agreement being implemented, Esquimalt advised the City they would no longer require Victoria's services.

From a systems change perspective two highlights from 2002 were the successful implementation of a new property taxation and utility billing system based on Tempest software and the joint implementation with the District of Saanich of several modules of the JD Edwards Enterprise Resource Planning (ERP) System.

The Tempest system has a central property database that ties all of the information about city properties together based on their civic location. In addition it provides Business Licences, Dog Licences, Calls For Service, Building Permits and Development Applications, Engineering Service Tracking and Centralized Cash Collection. This

system designed for local governments, provides the functionality required to track the City's most critical revenue generating information.

J.D. Edwards ERP applications are designed to improve the City's internal operations and provide the groundwork for collaborative commerce. The ERP applications assist with managing finance, assets (including inventory and fixed assets), projects and suppliers. Planning was also completed to implement the Human Resources/Payroll application in 2003.

In closing, I would like to thank all those who contributed to a successful year in 2002 and are working together to best serve Victoria including City Council, Department Heads and staff in all City Departments, but particularly staff in the Finance Department, who have demonstrated a high level of professionalism and dedication in their performance over the past year.

R Keith Dowdall.

Keith Dowdall
Director of Finance

Audited Financial Statements of the Corporation of the City of Victoria

Year ended December 31, 2002

Financial Reporting Responsibility

The accompanying statements of The Corporation of the City of Victoria are the responsibility of management. To ensure their integrity, objectivity and reliability, management has selected appropriate accounting policies that are consistent with generally accepted accounting principles for local governments as recommended by the Public Sector Board of the Canadian Institute of Chartered Accountants. The financial statements necessarily include some amounts that are based on estimates and the judgment of management with appropriate consideration to materiality.

The City's accounting systems and related internal controls and supporting procedures are designed and maintained to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorized use or disposition. The procedures include training and selection of qualified staff, the establishment of an organizational structure that provides a well-defined division of responsibilities, accountability for performance and communication of standards of business conduct.

The Municipal Council, acting through its Finance and Human Resources Committee and the Committee of The Whole, oversees management's responsibilities for the financial reporting and internal control systems. The Committees meet periodically with management and the independent auditors to satisfy themselves that management's responsibilities are properly discharged, to review the consolidated financial statements and to recommend approval of the consolidated financial statements to Council.

KPMG LLP, Chartered Accountants, the independent auditors appointed by the City have examined these financial statements and issued their report which follows. The auditors have full and unrestricted access to the Council to discuss their audit and their related findings as to integrity of the financial reporting process.

R Keith Dowdall.

Keith Dowdall
Director of Finance

Auditors' Report to the Mayor and Councillors of the Corporation of the City of Victoria

We have audited the consolidated statement of financial position of The Corporation of the City of Victoria as at December 31, 2002 and the related consolidated statements of financial activities, changes in financial position, and changes in reserve funds and the operating funds and capital funds consolidated statements of financial activities and fund balances for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants
Victoria, Canada
April 4, 2003

KPMG LLP
Chartered Accountants

St. Andrew's Square II
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Victoria BC V8W 3Y7

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THE CORPORATION OF THE CITY OF VICTORIA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — STATEMENT A

December 31, 2002, with comparative figures for 2001

	2002	2001
Financial Assets		
Cash and short-term investments (note 2)	$ 22,096,889	$ 17,673,913
Property taxes receivable	3,224,003	3,342,008
Accounts receivable	8,470,877	6,473,483
Other assets	838,642	606,876
Inventories for resale	7,121	28,435
Municipal Finance Authority debt reserve fund deposits (note 3)	3,925,261	3,641,884
Property acquired for taxes	114,292	64,392
Long-term investments (note 4)	14,130,014	13,795,918
Total financial assets	52,807,099	45,626,909
Liabilities		
Accounts payable	8,205,740	9,240,862
Prepaid property taxes	1,002,570	839,628
Deferred revenue	828,608	617,940
Other liabilities	2,770,326	2,411,542
Municipal Finance Authority debt reserve fund deposits (note 3)	3,925,261	3,641,884
Employee benefit obligations (note 5)	8,001,048	5,814,341
Capital lease obligations (note 6)	461,794	713,184
Long-term debt (note 7)	27,757,866	26,953,314
Total financial liabilities	52,953,213	50,232,695
Net financial liabilities	(146,114)	(4,605,786)
Physical assets (note 8)	343,156,007	333,652,739
Total net financial liabilities and physical assets	$ 343,009,893	$ 329,046,953
Municipal Position		
Operating Funds (Statement C) (note 9)	$ 13,317,404	$ 11,195,033
Capital Funds (Statement D)	-	-
Equity in physical assets (note 10)	314,113,529	305,163,422
Reserve Funds (Statement E) (note 11)	22,532,410	17,708,262
Unfunded employee benefit obligations (note 5)	(6,953,450)	(5,019,764)
Total municipal position	$ 343,009,893	$ 329,046,953

Contingent liabilities (note 16)

See accompanying notes to financial statements.

R. Kevin Goudall.

Approved by the Director of Finance

Approved by the Comptroller

THE CORPORATION OF THE CITY OF VICTORIA

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES — STATEMENT B

Year ended December 31, 2002, with comparative figures for 2001

	Budget 2002	Actual 2002	Actual 2001
Revenues:			
Taxes (note 12)	$ 64,250,487	$ 64,640,205	$ 61,214,355
Grants in lieu of taxes (note 13)	3,885,200	4,013,680	3,885,919
Sales of goods and services	22,392,118	26,595,799	22,312,938
Sale of water	9,495,493	9,873,161	7,235,435
Licences and permits	2,711,000	3,134,697	2,657,632
Fines	3,039,000	3,099,196	2,796,426
Rentals and leases	493,178	646,824	577,228
Interest and penalties	1,740,000	2,157,829	2,848,928
Unconditional government transfers (note 14)	413,500	404,021	413,569
Conditional government transfers (note 14)	1,157,681	1,376,879	781,903
Miscellaneous	2,812,272	3,738,782	3,744,945
	112,389,929	119,681,073	108,469,278
Expenditures (note 15):			
General government	20,580,686	19,854,070	19,488,225
Protective services	34,602,812	35,824,603	34,306,225
Transportation services	15,368,235	13,980,530	17,386,136
Environmental and public health services	6,496,844	6,758,520	5,988,167
Community planning	1,113,384	1,092,701	1,127,111
Parks, recreation and cultural services	23,797,930	23,645,326	21,222,101
Water utility	10,458,170	9,851,871	6,982,330
Sewer utility	2,887,441	2,994,372	2,479,878
	115,305,502	114,001,993	108,980,173
Excess (deficiency) of revenues over expenditures	(2,915,573)	5,679,080	(510,895)
Debt proceeds	-	4,239,059	-
Debt principal repaid	(2,720,229)	(2,720,233)	(2,621,966)
Debt principal reduced by actuarial valuation	-	(714,278)	-
Capital lease proceeds	311,000	177,593	713,184
Capital lease principal repaid	-	(428,980)	-
Unfunded employee benefit obligations (note 5)	-	(1,933,686)	(5,019,764)
Change in fund balance	$ (5,324,802)	$ 4,298,555	$ (7,439,441)

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF VICTORIA

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND FUND BALANCES OPERATING FUNDS

STATEMENT C

Year ended December 31, 2002, with comparative figures for 2001

	Budget 2002	Actual 2002	Actual 2001
Revenues:			
Taxes	$ 64,250,487	$ 64,640,205	$ 61,214,355
Payments in lieu of taxes	3,885,200	4,013,680	3,885,919
Sale of goods and services	20,781,794	23,191,755	20,989,002
Sale of water	9,495,493	9,873,161	7,235,435
Licences and permits	2,711,000	3,134,697	2,657,632
Fines	3,039,000	3,099,196	2,796,426
Rentals and leases	493,178	646,824	577,228
Interest and penalties	1,740,000	2,157,829	2,848,928
Unconditional government transfers	413,500	404,021	413,569
Conditional government transfers	470,000	385,091	494,092
Miscellaneous	2,812,272	3,738,782	3,744,945
	110,091,924	115,285,241	106,857,531
Expenditures:			
General government	16,643,547	16,839,184	16,423,486
Protective services	33,644,831	35,387,923	33,540,914
Transportation services	10,735,117	11,114,615	11,079,350
Environmental and public health services	4,055,182	5,113,062	4,997,071
Community planning	1,113,384	1,092,701	1,127,111
Parks, recreation and cultural services	20,562,830	21,116,940	19,739,757
Water utility	7,837,871	7,600,693	5,716,815
Sewer utility	1,604,779	1,920,796	1,648,719
	96,197,541	100,185,914	94,273,223
Excess of revenues over expenditures	13,894,383	15,099,327	12,584,308
Debt principal repaid	(2,720,229)	(2,720,233)	(2,621,966)
Capital lease principal repaid	-	(428,980)	-
Net transfers to Capital Funds	(6,762,299)	(6,186,248)	(5,759,433)
Net transfers to Reserve Funds	(1,954,938)	(3,641,495)	(3,538,654)
Change in Operating Funds balances	2,456,917	2,122,371	664,255
Fund balances, beginning of year	11,195,033	11,195,033	10,530,778
Fund balances, end of year (note 9)	$ 13,651,950	$ 13,317,404	$ 11,195,033

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF VICTORIA

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND FUND BALANCES CAPITAL FUNDS

STATEMENT D

Year ended December 31, 2002, with comparative figures for 2001

	Budget 2002	Actual 2002	Actual 2001
Revenues:			
Sale of goods and services	$ 1,610,324	$ 3,404,044	$ 1,323,936
Conditional governmental transfers	687,681	991,788	287,811
Interest earned on sinking fund	-	714,278	593,924
	2,298,005	5,110,110	2,205,671
Expenditures:			
General government:			
Buildings	1,262,139	1,043,647	934,989
Machinery and equipment	2,675,000	1,971,239	2,129,750
	3,937,139	3,014,886	3,064,739
Protective services:			
Buildings	197,000	29,426	266,215
Machinery and equipment	760,981	407,254	499,096
	957,981	436,680	765,311
Transportation services:			
Engineering structures	2,762,568	2,141,622	3,896,847
Machinery and equipment	1,870,550	724,293	2,409,939
	4,633,118	2,865,915	6,306,786
Environmental and public health services:			
Engineering structures	2,441,662	1,645,458	991,096
Parks, recreation and cultural services:			
Engineering structures	1,452,500	1,162,597	310,816
Buildings	1,289,000	893,869	679,870
Machinery and equipment	463,600	398,920	491,658
Land	-	73,000	-
	3,205,100	2,528,386	1,482,344
Water utility	2,620,299	2,251,178	1,265,515
Sewer utility	1,282,662	1,073,576	831,159
Total expenditures	19,077,961	13,816,079	14,706,950
Excess of expenditures over revenues	(16,779,956)	(8,705,969)	(12,501,279)
Net transfers from Operating Funds	6,762,299	6,186,248	5,759,433
Net transfers from Reserve Funds	9,706,657	3,056,406	6,622,586
Debt principal reduced by actuarial valuation	-	(714,278)	(593,924)
Capital lease proceeds	311,000	177,593	713,184
	16,779,956	8,705,969	12,501,279
Change in Capital Funds balances	-	-	-
Funds balances, beginning of year	-	-	-
Funds balances, end of year	$ -	$ -	$ -

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF VICTORIA

CONSOLIDATED STATEMENT OF CHANGES IN RESERVE FUNDS — STATEMENT E

Year ended December 31, 2002, with comparative figures for 2001

	Budget 2002	Actual 2002	Actual 2001
Funds balances, beginning of year	$ 17,708,262	$ 17,708,262	$ 20,792,194
Add:			
Debt proceeds	-	4,239,059	-
Transfer from Operating Funds	1,954,938	3,641,495	3,538,654
Transfer from Capital Funds	-	2,562,607	593,733
	1,954,938	10,443,161	4,132,387
Deduct transfer to Capital Funds	9,706,657	5,619,013	7,216,319
Change in Reserve Funds balance	(7,751,719)	4,824,148	(3,083,932)
Funds balances, end of year (note 11)	$ 9,956,543	$ 22,532,410	$ 17,708,262

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF VICTORIA

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION — STATEMENT F

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
Cash and short-term investments provided by (used for):		
Operations:		
Excess (deficiency) of expenditures over revenues	$ 5,679,080	$ (510,895)
Decrease (increase) in non-cash financial assets:		
Property taxes receivable	118,005	443,823
Accounts receivable	(3,200,815)	(623,495)
Other assets	(493,828)	(87,569)
Property acquired for taxes	(49,900)	71,863
Increase (decrease) in short-term liabilities:		
Accounts payable	(1,035,122)	1,009,595
Other liabilities	2,219,192	1,394,730
Employee benefit obligations	253,021	(99,421)
	3,489,633	1,598,631
Investing:		
Increase in long-term investments	(334,096)	(765,343)
Financing:		
Debt principal repaid	(2,720,233)	(2,621,966)
Proceeds of new debt issue	4,239,059	-
Capital lease proceeds	177,593	713,184
Capital lease principal repaid	(428,980)	-
	1,267,439	(1,908,782)
Increase (decrease) in cash and short-term investments	4,422,976	(1,075,494)
Cash and short-term investments, beginning of year	17,673,913	18,749,407
Cash and short-term investments, end of year	$ 22,096,889	$ 17,673,913

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF VICTORIA

Notes to Financial Statements

Year ended December 31, 2002

The Corporation of the City of Victoria (the "City") is a municipality in the Province of British Columbia, Canada and operates under the provisions of the *Local Government Act*. The City provides municipal services such as police, fire, public works, engineering, planning, parks, recreation, community development, conference facilities and other general government operations.

1. Significant accounting policies:

The financial statements of the City are prepared by management in accordance with generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City are as follows:

(a) Reporting entity:
The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, and changes in fund balances and in financial position of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City.

Inter-departmental balances and organizational transactions are eliminated.

The statements exclude trust assets that are administered for the benefit of external parties (note 18).

(b) Basis of accounting:
The basis of accounting followed in the financial statement presentation is an accrual basis and includes revenues in the period in which the transactions or events occurred that gave rise to the revenues, and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

(c) Fund accounting:
Funds within the consolidated financial statements consist of the general operating, sewer operating, water operating, general capital, sewer capital, water capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(d) Land for resale:

Land for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

(e) Long-term investments:

Investments are recorded at cost except for the investments in the Municipal Finance Authority of British Columbia Bond, Intermediate and Money Market Funds, which are recorded at cost plus interest earned and reinvested in the funds.

(f) Physical assets:

Physical assets, comprised of capital assets, land for future municipal purposes, capital work-in-progress and inventories of materials and supplies, are recognized as expenditures in the period they are acquired. Donated capital assets are reported at estimated fair value at the time of receipt.

Physical assets are carried on the consolidated balance sheet at cost.

Land for future municipal purposes is valued at cost. Inventories of materials and supplies are valued at the lower of cost and replacement cost.

The City does not reflect amortization of capital assets in the financial statements.

(g) Equity in physical assets:

Equity in physical assets represents the historical cost of those capital assets. Equity increases as physical assets are acquired without incurring long-term debt or, where such debt is incurred, by the reduction of that debt. Equity decreases as physical assets are written off on disposal.

(h) Reserve accounts:

Reserve accounts are established within the General Operating Fund to provide for the City's specific requirements. Transfers to and/or from reserve accounts are reflected as an adjustment to the respective accounts.

(i) Government transfers:

Government transfers are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(j) Foreign currency:

Monetary items denominated in U.S. dollars are converted to Canadian dollars for financial statement purposes at approximate exchange rates in effect at the reporting date. Non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenditures are translated at rates in effect at the time of the transactions. Gains and losses on foreign currency translations are included as revenues (expenditures).

(k) Use of estimates:

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

2. Cash and short-term investments:

	2002	2001
Bank account balances	$ 1,189,480	$ (145,790)
Bankers' acceptances, special deposits, Municipal Finance Authority Bond and Money Market Funds	20,907,409	17,819,703
	$ 22,096,889	$ 17,673,913

3. Municipal Finance Authority debt reserve fund deposits:

Under borrowing arrangements with the Municipal Finance Authority ("MFA"), the City is required to lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing. As the debt principal is retired, demand notes are released and the cash deposits are refunded and recorded as operating income in the period received.

As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund. These deposits are held by the MFA to act as security against the possibility of debt repayment default. If the debt is repaid without default, the deposits are refunded to the City.

	2002	2001
Cash deposits	$ 1,227,343	$ 1,114,886
Demand notes	2,697,918	2,526,998
Total	$ 3,925,261	$ 3,641,884

4. Long-term investments:

	Cost		Market Value	
	2002	2001	2002	2001
Government and government guaranteed investments, investments guaranteed by a financial institution	$ 1,385,518	$ 1,792,002	$ 1,590,905	$ 1,833,263
Municipal Finance Authority Pooled Investment Funds	12,744,496	12,003,916	12,744,496	12,003,916
	$ 14,130,014	$ 13,795,918	$ 14,335,401	$ 13,837,179

Long-term investments excluding the Municipal Finance Authority of British Columbia Bond and Intermediate Funds have stated interest rates of 5.00% to 14.25% (2001 - 5.00% to 14.25%) with maturity dates from January 31, 2003 to July 22, 2013. The Municipal Finance Authority Pooled Investment Funds earn interest based on realized earnings of the funds and the market value for longer term investments and do not have set maturity dates. Funds can be withdrawn after a one-to-four day notice period.

5. Employee benefit obligations:

	2002	2001
Vested sick leave - police	$ 1,992,561	$ 2,257,415
Vested sick leave - fire	1,519,489	1,501,223
Vested sick leave - City	46,178	44,022
One month's pay upon retirement - police	516,153	-
One month's pay upon retirement - fire	363,154	-
One month's pay upon retirement - City	1,365,608	-
Accrued sick leave - other	1,092,235	1,227,717
Accrued vacation	952,401	731,577
Superannuation overcontributions	153,269	52,387
	8,001,048	5,814,341
Less funds held in reserve	1,047,598	794,577
Unfunded employee benefit obligations	$ 6,953,450	$ 5,019,764

Employee benefit obligations represent accrued benefits as at December 31, 2002.

Accrued vacation is the amount of vacation entitlement carried forward into the next year.

Vested sick leave – City represents the City's liability for sick leave credits earned prior to 1986.

Vested sick leave – police and fire represents the sick leave entitlements of members of the Police and Fire Unions. These credits are payable upon retirement and have been calculated using an actuarial methodology.

Accrued sick leave – other is the estimated liability for sick leave for all employees other than police and fire. These sick leave entitlements can only be used while employed by the City and are not paid out upon retirement or termination of employment. This amount represents the estimated liability based on historical usage.

The superannuation overcontribution liability represents amounts, including interest, owing to police officers and fire fighters for the employer's share of superannuation overcontributions. These amounts are payable upon retirement.

During the year, the City estimated and accrued one month's pay due to City employees upon retirement. These amounts which were previously recorded on a cash basis have been calculated using an actuarial methodology.

6. Capital lease obligations:

2003	$ 358,253
2004	218,736
2005	17,961
Thereafter	-
Total minimum lease payments	594,950
Less amount representing interest at 15%	133,156
Present value of net minimum capital lease payments	$ 461,794

Total interest expense during the year was $70,439 (2001 - $58,135).

7. **Long-term debt:** (a) Long-term debt outstanding: Debt payable includes the following amounts:

By-law	Purpose	Year maturing	Rate %	Gross balance Dec. 31, 02	Sinking funds/ accumulated repayments	Net balance Dec. 31, 02	Net balance Dec. 31, 01
General Capital							
83-19	Roads	2003	12.350	$ 7,637,063	$ 6,771,316	$ 865,747	$ 1,636,334
83-19	Drainage	2003	12.350	478,713	424,445	54,268	102,570
90-23	Downtown revitalization	2006	9.000	130,623	-	130,623	157,442
91-34	Drainage	2006	10.250	2,042,830	1,594,686	448,144	546,416
92-28	Downtown revitalization	2008	6.000	101,259	-	101,259	114,955
92-114	Drainage	2008	7.260	1,521,930	788,424	733,506	836,209
93-130	Police station	2008	7.180	8,340,207	4,917,180	3,423,027	3,902,307
93-130	Roads	2008	7.180	1,787,187	1,053,681	733,506	836,209
93-130	Cliffs and seawall	2008	7.180	1,787,187	1,053,681	733,506	836,209
93-130	Drainage	2008	7.180	3,888,581	2,248,130	1,640,451	1,870,141
95-58	Police station	2010	7.375	9,812,476	3,585,669	6,226,807	6,847,837
95-58	Roads	2010	7.375	2,551,244	932,274	1,618,970	1,780,438
95-58	Cliffs and seawall	2010	7.375	2,453,119	896,417	1,556,702	1,711,959
95-58	Fire station	2010	7.375	1,471,871	537,850	934,021	1,027,176
95-58	Drainage	2010	7.375	1,661,595	607,179	1,054,416	1,159,579
97-35	Police station	2012	5.850	616,857	151,901	464,956	500,162
97-35	Cliffs and seawall	2012	5.850	2,121,989	522,540	1,599,449	1,720,556
97-35	Drainage	2012	5.850	294,147	72,434	221,713	238,501
01-156	Dockside	2017	5.370	3,100,000	-	3,100,000	-
01-157	Bridge repairs	2017	5.370	1,139,059	-	1,139,059	-
Total General Capital				52,937,937	26,157,807	26,780,130	25,825,000
Sewer Capital							
78-9	Sewer system	1998	9.265	900,492	900,492	-	-
83-19	Sewer system	2003	12.350	478,716	424,445	54,271	102,570
93-130	Sewer system	2008	7.180	761,395	445,831	315,564	359,748
95-58	Sewer system	2010	7.375	791,523	289,238	502,285	552,381
97-35	Sewer system	2012	5.850	140,121	34,505	105,616	113,615
Total Sewer Capital				3,072,247	2,094,511	977,736	1,128,314
Total				$ 56,010,184	$ 28,252,318	$ 27,757,866	$ 26,953,314

(a) Long-term debt outstanding (continued):

The aggregate amount of principal and interest payments required on the City's long-term debt during each of the next five years is as follows:

2003	$ 5,753,578
2004	4,719,130
2005	4,719,130
2006	4,651,993
2007	4,483,828

Total interest expense during the year was $3,039,962 (2001 - $3,139,934).

In addition to the aggregate amount of principal and interest payments noted above, the City has borrowing authority in place authorizing incremental borrowing in the amount of $30 million to fund the new multipurpose facility. The City anticipates that the principal and interest payable over the next three years will equal $2.1 million in the aggregate.

(b) Debt limit:

Regulations under section 334 of the *Local Government Act*, as passed by the Province of British Columbia, establish municipal debt limits. The debt limit for the City is the total of 20% of the current value, as shown on the most recent audited consolidated financial statements, of the tangible capital assets of the municipality, and 20% of the average of the converted value of land and improvements in the municipality for the current year and the two immediately preceding years, which results in a debt limit of $216,229,337 (2001 - $269,669,665).

8. Physical assets

	Beginning balance	Capitalizations	Disposals	Dec. 31, 02 ending balance
Sanitary sewer utility	$ 16,771,508	$ 1,073,575	$ -	$ 17,845,083
Water utility	35,963,872	2,251,178	-	38,215,050
General capital:				
Engineering structures	123,032,710	5,528,935	-	128,561,645
Buildings	82,217,459	2,379,519	(3,228,375)	81,368,603
Machinery and equipment	58,001,317	4,358,451	(1,176,005)	61,183,763
Land	15,029,365	73,000	(5)	15,102,360
Work-in-progress	2,636,508	(1,757,005)	-	879,503
	$ 333,652,739	$ 13,907,653	$ (4,404,385)	$ 343,156,007

9. Operating Funds: The Operating Funds balance is appropriated as follows:

	Beginning balance	Appropriations	Transfers	Current year's surplus: General operating	Current year's surplus: Water operating	Current year's surplus: Sewer operating	Ending balance
Unappropriated balance:							
Surplus	$ 1,035,362	$ (1,035,362)	$ -	$ 1,000,000	$ 862,814	$ 210,553	$ 2,073,367
Appropriated balance - reserve accounts:							
Working capital funds	3,039,094	-	-	-	-	-	3,039,094
Economic development	990,594	600,000	(375,000)	-	-	-	1,215,594
Casino gaming revenue share	936,287	-	(100,000)	-	-	-	836,287
Debt reduction	840,386	-	-	-	-	-	840,386
Innovation	33,310	-	(33,310)	-	-	-	-
Self insurance	2,550,000	992,676	-	-	-	-	3,542,676
Water utility	1,770,000	-	-	-	-	-	1,770,000
	10,159,671	1,592,676	(508,310)	-	-	-	11,244,037
Operating Funds balance	$ 11,195,033	$ 557,314	$ (508,310)	$ 1,000,000	$ 862,814	$ 210,553	$ 13,317,404

10. Equity in physical assets: The equity in physical assets balance is comprised of the following:

	2002						
	Beginning balance	Debt principal repayments	Actuarial adjustment	Capital expenditures	New debt issue	Disposals	Dec. 31, 02 ending balance
General capital	$ 253,512,761	$ 3,027,038	$ 685,868	$ 10,445,397	$ (4,239,059)	$ (4,404,379)	$ 259,027,626
Water utility capital	36,007,469	-	-	2,211,087	-	-	38,218,556
Sewer utility capital	15,643,192	122,170	28,410	1,073,575	-	-	16,867,347
Capital Funds balance	$ 305,163,422	$ 3,149,208	$ 714,278	$ 13,730,059	$ (4,239,059)	$ (4,404,379)	$ 314,113,529

11. Reserve Funds: The Reserve Funds balance is comprised of the following:

	Beginning balance	2002 transfers from General Operating Fund	2002 transfers from General Capital Fund	2002 transfers to General Capital Fund	Debt proceeds	Dec. 31, 02 ending balance
Equipment replacement	$ 12,257,096	$ 3,183,011	$ -	$ (3,789,803)	$ 4,239,059	$ 15,889,363
Offstreet parking	444,553	228,199	-	(93,685)	-	579,067
Local improvements	747,596	28,232	-	-	-	775,828
Tax sale lands	3,546,934	109,996	2,305,522	(1,402,731)	-	4,559,721
Parks and greenways acquisition	-	-	257,085	-	-	257,085
Leisure services	712,083	92,057	-	(332,794)	-	471,346
	$ 17,708,262	$ 3,641,495	$ 2,562,607	$ (5,619,013)	$ 4,239,059	$ 22,532,410

12. Net taxes available for municipal purposes:

	2002	2001
General taxation:		
Property and business taxes	$ 115,856,580	$ 110,414,990
Utility 1% tax	1,048,207	986,855
Special assessments:		
Land buyers	-	105
Boulevard frontage	526,151	529,686
Local improvement	6,008	6,008
Specified area improvement	186,616	216,138
Business improvement area	-	(2,627)
Sewer frontage	542,901	541,228
Hotel tax:		
Tourism Victoria - Destination Marketing Commission	2,106,130	2,037,606
Victoria Conference Centre	475,040	466,317
Less transfers to other governments:		
Capital Regional District	(7,011,661)	(6,179,390)
School Authorities	(40,821,839)	(39,847,642)
Regional Hospital District	(4,024,886)	(3,733,412)
Municipal Finance Authority	(1,978)	(1,939)
BC Assessment Authority	(1,425,650)	(1,419,318)
BC Transit	(2,821,414)	(2,800,250)
Net taxes available for municipal purposes	$ 64,640,205	$ 61,214,355

13. Grants in lieu of taxes:

	2002	2001
Federal	$ 2,129,785	$ 2,034,588
Provincial:		
BC Buildings Corporation	2,753,829	2,668,549
Provincial agencies:		
BC Housing Management Commission	299,634	281,559
BC Hydro	169,339	165,365
BC Ferries	58,200	58,200
ICBC	194,669	216,321
Less transfers to other governments:		
Capital Regional District	(464,200)	(421,884)
School Authorities	(927,691)	(921,205)
Regional Hospital District	(88,592)	(83,108)
Municipal Finance Authority	(25)	(25)
BC Assessment Authority	(32,657)	(33,037)
BC Transit	(78,611)	(79,404)
	$ 4,013,680	$ 3,885,919

14. Government transfers:

The following government transfers have been included in revenues:

	2002	2001
Unconditional transfers from provincial government:		
Traffic fine revenue sharing	$ 404,021	$ 413,569
Conditional transfers:		
Provincial: Jail	261,512	401,116
Federal: Jail	32,738	30,808
Other local governments: Jail	90,842	62,168
Infrastructure grants:		
Sewer	10,000	10,769
General capital	279,010	224,729
Cost sharing:		
Water	626,755	-
General capital	76,022	52,313
	1,376,879	781,903
	$ 1,780,900	$ 1,195,472

15. Expenditures by object:

	2002	2001
Salaries, wages and employee benefits	$ 64,873,226	$ 62,721,280
Equipment	8,462,272	8,347,522
Materials, supplies and contracted services	30,444,302	27,868,327
Interest and foreign exchange	3,452,554	3,318,754
Other	6,769,639	6,724,290
	$ 114,001,993	$ 108,980,173

16. Contingent liabilities:

The City is defendant in various lawsuits as of December 31, 2002. Included in other liabilities is $300,278 (2001 – $300,278) in respect of legal claims that are likely to be successful and the City's solicitor has quantified. The remaining claims, should they be successful as a result of litigation, will be recorded when a liability is likely and determinable. An insurance reserve of $3,542,676 (2001 – $2,550,000) is maintained to offset settlements, should any arise, and insurance coverage is maintained to provide for insurable claims, should they exceed the liability deductible of $1,000,000 in any year.

New condominium construction in British Columbia over the last ten years has resulted in significant construction deficiencies. Liability for these deficiencies is presently being addressed by the courts. The impact of the courts' decisions and their effect on the City are unknown at this time. The City has received various statements of claim with respect to alleged construction deficiencies. Statements of defence have been made on behalf of the City by the City's solicitors. No determination of the City's liability, if any, has been made and no estimate of potential loss can be made or recorded at this time. Any liability will be recorded when a settlement is likely and the amounts are determinable.

On October 1, 2002, the City entered into an agreement with the Township of Esquimalt ("Esquimalt") for the provision of fire services in Esquimalt by the Victoria Fire Department for a five-year term, commencing January 1, 2003. On the basis of this contractual arrangement, the City entered into two-year employment agreements with nine firefighters to fulfill the contract terms. On December 4, 2002, the City was informed by Esquimalt's council that it would not require the City to provide those fire services.

Subsequently, the City terminated several of the employment contracts. Certain legal claims have been received. No determination of the City's liability, if any, has been made and no estimate of potential loss can be made or recorded at this time. The City has initiated a counter claim against Esquimalt and any settlement incurred is likely to be recovered.

Capital Regional District debt, under provisions of the *Local Government Act*, is a direct, joint and several liability of the Capital Regional District and each member municipality within the Capital Regional District, including the City.

The City is reviewing environmental objectives and potential liabilities for its activities and properties and potential site reclamation obligations. The amount of any such obligations has not been determined.

17. Pension plan:

The City and its employees contribute to the Municipal Pension Plan (the plan), a jointly trusted pension plan governed by the *BC Public Sector Pension Plans Act*. The pension plan is a multi-employer contributory defined benefit pension plan with about 125,000 active contributors, including approximately 26,000 contributors from over 180 local governments. Joint trusteeship was established effective April 5, 2001. The board of trustees, representing plan members and employers, is fully responsible for the management of the pension plan, including investment of the assets and administration of the plan. The British Columbia Pension Corporation provides benefit administration services and the British Columbia Investment Management Corporation provides investment management services for the pension plan.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2000 indicates a surplus of $436 million, an improved position of 9% surplus of covered payroll from a 14% unfunded liability of covered payroll as at the previous valuation of December 1997. The Joint Trust Agreement specifies how surplus assets can be used. The actuary does not attribute portions of the surplus to individual employers. Each employer expenses contributions to the plan in the year in which payments are made.

18. Trust assets and liabilities:

The City administers the following trusts on behalf of third parties:

	2002	2001
Ross Bay Cemetery	$ 398,640	$ 395,383
Nature Interpretation Centre	258,198	253,194
Bastion Square	186,747	-
	$ 843,585	$ 648,577

The Ross Bay Cemetery Trust is a care fund for the non-commercial Ross Bay Cemetery and is used for perpetual maintenance.

The Nature Interpretation Centre is a trust for the construction of a nature interpretation center in Beacon Hill Park.

The Bastion Square Revitalization Trust is a trust received from the Bastion Square Association Society for the sole purpose of improving Bastion Square.

19. Commitment:

The City has entered into a partnership with RG Properties to construct a new multipurpose facility on the former Memorial Arena site. The facility is scheduled for completion by September 2004. The City has committed to borrow up to $30 million to fund the construction of the facility and is expecting to spend $18.6 million in 2003 and $11.4 million in 2004.

In the normal course of business, the City enters into commitments for both capital and operational expenditures. These commitments have been budgeted for within the appropriate annual budget and have been approved by council.

20. Comparative figures:

Certain of the comparative figures have been restated to conform with the current year's presentation

21. Subsequent event:

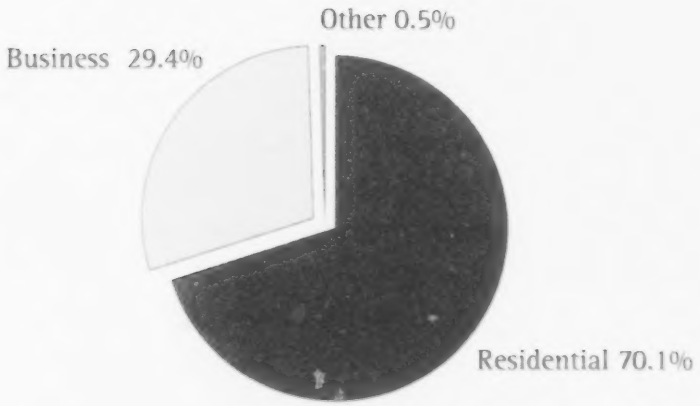
The Province of British Columbia, by order-in-council, amalgamated the Township of Esquimalt and the City of Victoria's police departments, effective January 1, 2003. As a result of this amalgamation, and additional thirty-two police officers and seven civilians were added to the existing complement of the City's police department. These additional staff and related support costs will result in an increase in expenditures of $3,815,486, which will be recovered from Esquimalt, on an annual basis.

Taxable Assessments of Land and Improvements 1998 - 2002 (in millions)

Property Class	1998	1999	2000	2001	2002
Residential	$ 4,908	$ 4,914	$ 4,870	$ 4,905	$ 4,999
Utilities	10	7	8	9	10
Industrial - Light	24	24	27	27	27
Business	2,055	1,947	2,033	2,126	2,178
Seasonal	12	10	9	8	9
	$ 7,010	$ 6,902	$ 6,947	$ 7,076	$ 7,223

STATISTICAL

Assessments by Type



Source: BC Assessment Authority

Property Tax Rates 1998 - 2002

	1998	1999	2000	2001	2002
MUNICIPAL ($ per 1000 assessment)					
Residential	4.7997	5.0093	5.1662	5.4699	5.6138
Utilities	29.3980	34.0880	32.6270	33.7871	35.2970
Industrial - Light	12.4263	13.0592	13.5690	14.3049	14.9839
Business	12.4263	13.6352	13.3618	13.5149	14.1188
Seasonal	7.3915	9.3658	10.2844	9.9022	10.5877
TOTAL - Including School, Region, etc. ($ per 1000 assessment)					
Residential	9.2008	9.5395	9.8702	10.2433	10.4882
Utilities	49.6126	54.9989	53.9543	55.2609	57.2925
Industrial - Light	25.5720	26.3102	27.1375	28.2480	29.1740
Business	25.2886	26.6854	26.6286	27.0300	27.8457
Seasonal	13.1903	15.4198	16.6154	16.1549	17.0172
MUNICIPAL TAX BILLINGS BY PROPERTY CLASS (in thousands)					
Residential	$23,636	$24,693	$25,241	$26,830	$28,062
Utilities	297	251	255	312	356
Industrial - Light	304	317	360	389	405
Business	25,535	26,542	27,170	28,739	30,756
Seasonal	92	92	92	83	91
TOTAL	$49,864	$51,895	$53,117	$56,354	$59,670

New Construction 1998 - 2002

	1998	1999	2000	2001	2002
Construction Permits	2,705	2,948	2,848	2,907	2,827
Construction Value ($ Million)	$72	$178	$103	$106	$145
Taxes Generated from New Growth	$750,322	$193,444	$471,109	$777,701	$1,078,658

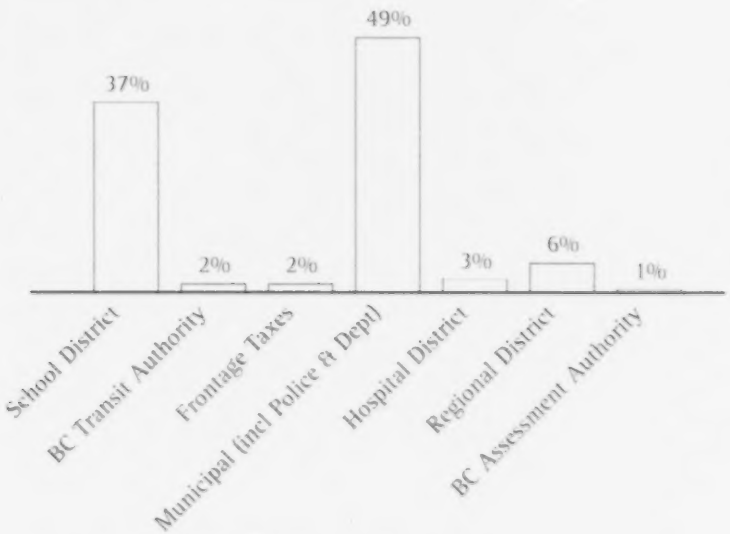
Source: City of Victoria Finance Department

Property Tax Levied and Collected 1998 - 2002 (in thousands)

	1998	1999	2000	2001	2002
Municipal (incl Police & Debt)	$ 49,864	$ 51,895	$ 53,117	$ 56,354	$ 59,670
Hospital District	2,902	2,605	2,817	3,734	4,037
Regional District	5,100	5,705	6,645	6,179	7,021
BC Assessment Authority	1,376	1,354	1,391	1,419	1,426
Finance Authority	2	2	2	2	2
School District	38,495	37,776	38,802	39,848	40,822
BC Transit Authority	1,917	1,895	1,964	2,800	2,821
Frontage Taxes	1,556	1,603	1,628	1,256	1,257
	$101,212	$102,834	$106,365	$111,592	$117,056
Current Taxes Collected	$99,041	$100,573	$104,204	$109,368	$113,645
Percentage	97.37%	97.36%	97.45%	97.31%	97.09%
Outstanding at Beginning of Year	$3,480	$3,317	$3,705	$3,784	$3,341
Arrears Collected	$2,833	$2,340	$2,495	$2,668	$2,531
Percentage	81.41%	70.55%	67.35%	70.51%	75.76%

STATISTICAL

Taxes by Juristiction



Source: City of Victoria Finance Department

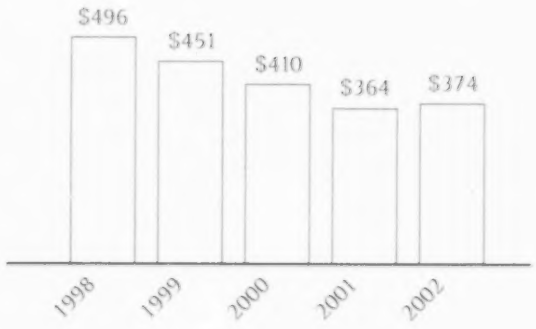
Principal Taxpayers and Percentage of Total Taxes 2002

Rank	Last Year	Property Owner	Taxes (in thousands)	Per cent
1	(1)	Ivanhoe Cambridge Inc	$2,651	2.27%
2	(2)	Legacy Empress Title Corp	2,500	2.14%
3		BTC Properties Ltd	2,087	1.78%
4	(4)	527701 BC Ltd	1,683	1.44%
5	(5)	BC Telephone Co	1,113	0.95%
6	(6)	Pacific Sun Hotel Inc	983	0.84%
7	(7)	Jawl Holdings Ltd	950	0.81%
8	(9)	Columbus Real Estate Inc	648	0.55%
9	(8)	Grampion Holdings Ltd	645	0.55%
10	(10)	596961 BC Ltd.	636	0.54%
11	(12)	Gill-Am Investments Ltd	613	0.52%
12	(30)	Associated Building Credits Ltd	610	0.52%
13	(14)	Paul's Restaurans Ltd	542	0.46%
14	(15)	Canadian Imperial Bank of Commerce	539	0.46%
15	(13)	Sussex Place Equities Ltd.	535	0.46%
16	(17)	BC Hydro & Power Authority	457	0.39%
17	(18)	Westside Village Shopping Centre Ltd	420	0.36%
18	(21)	Capital Region Housing Corp	415	0.35%
19	(19)	Park Pacific Apartments Ltd	413	0.35%
20	(11)	Daishinpan (Canada) Ltd./Daishinpan Co. Ltd.	406	0.35%
21	(23)	Congdon Construction (1986) Ltd	389	0.33%
22	(28)	International Travel Inns Ltd.	385	0.33%
23	(20)	BC Transit	385	0.33%
24	(22)	Sophie Investments Inc	375	0.32%
25	(24)	Wilson Kool Ltd	372	0.32%
26	(25)	Executive House Ltd	364	0.31%
27	(26)	Okabe North America Inc.	352	0.30%
28	(27)	Ruth Singer Investments Ltd	348	0.30%
29	(29)	Urban Meister	336	0.29%
30	(3)	Sears Canada Inc	253	0.22%
			22,405	19.14%

Debenture Debt 1998 - 2002 (in thousands)

	1998	1999	2000	2001	2002
Gross Debt	$ 51,062	$ 47,650	$ 47,650	$ 47,650	$ 51,889
Less: Sinking Fund Payments	14,632	14,467	17,481	20,697	24,131
Net Debt	$ 36,430	$ 33,183	$ 30,169	$ 26,953	$ 27,758
General	$34,908	$31,783	$28,901	$25,825	$26,780
Sewer	1,522	1,400	1,269	1,128	978
	$36,430	$33,183	$30,169	$26,953	$27,758
Debt Servicing Costs					
Property Tax Supported	$5,770	$5,529	$5,525	$5,520	$5,514
Specified Area & Other	644	458	-	-	-
Sewer Utility	354	247	247	246	246
Total Debt Servicing Costs	$6,767	$6,233	$5,771	$5,766	$5,760
Population	73,504	73,504	73,504	74,125	74,125
Net Debt per Capita	$496	$451	$410	$364	$374
Debt Servicing per Capita	$92	$85	$79	$78	$78
Debt Service as % of Expenditures	6.76%	6.12%	5.37%	5.29%	5.05%
Gross Borrowing Power ($000's)	$235,116	$237,792	$265,595	$269,670	$268,118
Net Borrowing Power ($000's)	$184,054	$190,142	$217,945	$222,020	$216,229

Per Capita Net Dept
in thousands



Source: Municipal Finance Authority
Source: Population: Statistics Canada

STATISTICAL

Revenue and Expenses 1998 - 2002 (in thousands)

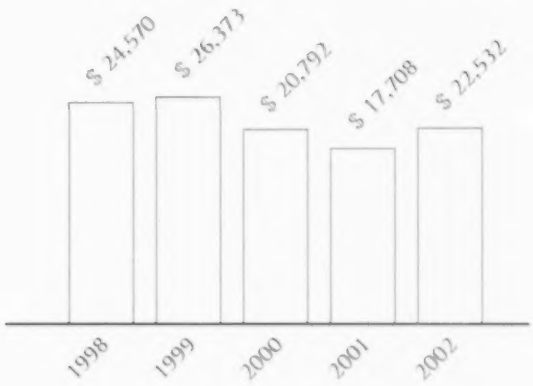
Revenue	1998	1999	2000	2001	2002
Property Taxes	$57,023	$56,888	$58,091	$61,214	$64,640
Payment In Lieu of Taxes	5,236	3,804	3,898	3,886	4,014
Sales of Services	19,174	21,281	20,687	22,313	26,596
Sale of Water	6,946	7,101	7,066	7,235	9,373
Licences and Permits	2,594	3,733	2,550	2,658	3,135
Fines	2,492	2,899	2,668	2,796	3,099
Rentals and Leases	669	654	672	577	647
Interest and Penalties	2,314	2,406	3,203	2,849	2,158
Unconditional Government Transfers	2,405	574	571	414	404
Other	1,454	2,683	3,541	3,745	3,739
Conditional Government Transfers	547	3,270	852	782	1,376
	$100,855	$105,294	$103,799	$108,469	$119,681
EXPENSES BY FUNCTION					
General Government	$16,442	$16,795	$17,521	$19,488	$19,854
Protective Services	29,773	31,520	31,766	34,306	35,825
Transportation Services	18,023	16,337	19,258	17,386	13,981
Enviromental/Public Health	4,543	4,824	6,740	5,988	6,759
Community Planning	1,334	1,280	1,049	1,127	1,093
Parks Recreation and Cultural	20,152	22,288	21,014	21,222	23,645
Water Utility	7,242	6,842	7,513	6,982	9,852
Sewer Utility	2,673	1,912	2,658	2,480	2,993
	$100,181	$101,797	$107,520	$108,980	$114,002
EXPENSES BY OBJECT					
Salaries Wages and Benefits	$61,455	$62,205	$60,213	$62,721	$64,873
Equipment	10,128	10,519	7,932	8,348	8,462
Materials Supplies and Services	22,539	23,407	29,988	27,868	30,444
Interest	4,439	3,984	3,373	3,319	3,453
Other	1,620	1,682	6,014	6,724	6,770
	$100,181	$101,797	$107,520	$108,980	$114,002

Source: City of Victoria Finance Department

Reserve Funds and Statement of Surplus 1998 - 2002 (in thousands)

Description	1998	1999	2000	2001	2002
STATUTORY RESERVE FUNDS					
Equipment Replacement	$18,599	$19,313	$15,313	$12,257	$15,889
Offstreet Parking	1,288	1,335	961	445	579
Local Improvements	641	669	702	748	776
Tax Sale Lands	3,384	4,377	3,162	3,547	4,560
Leisure Services	659	679	655	712	471
Parks and Greenways Acquisition	-	-	-	-	257
	$ 24,570	$ 26,373	$ 20,792	$ 17,708	$ 22,532
STATEMENT OF SURPLUS (DEFICIT)					
General Operating Surplus	$847	$2,484	$624	$585	$1,000
Water Operating Surplus	557	650	180	290	863
Sewer Operating Surplus	(12)	88	170	160	211
	$ 1,392	$ 3,222	$ 974	$ 1,035	$ 2,073
RESERVES PLUS SURPLUS	$ 25,962	$ 29,595	$ 21,766	$ 18,744	$ 24,605

Reserves
in thousands



Source: City of Victoria Finance Department

1998 - 2002 Capital Budget Expenditures and Funding Sources (in thousands)

	1998	1999	2000	2001	2002
EXPENDITURES					
Civic Facilities	$ 2,679	$ 2,970	$ 1,764	$ 1,440	$ 1,183
Miscellaneous	90	39	43	23	-
Equipment	2,324	1,761	3,108	5,078	3,205
Streets	2,724	3,614	1,382	2,718	1,621
Transportation and Development	564	720	482	424	348
Civic Services	-	-	-	39	44
Storm Drains	854	793	2,635	899	800
Parks	440	419	444	582	1,468
Planning and Development	522	715	341	167	73
Shoreline Protection	1,999	219	9	48	251
Revitalization	275	3	552	650	136
Downtown Revitalization	628	84	2,984	68	650
Environmental Remediation	245	-	6	44	594
Water Utility	1,006	1,182	1,471	1,266	2,251
Sewer Utility	856	298	962	831	1,074
Victoria Conference Centre	157	740	538	431	118
	$ 15,362	$ 13,557	$ 16,720	$ 14,707	$ 13,816
FUNDING SOURCES					
Capital Tax Levy	$1,716	$2,076	$4,391	$3,965	$3,657
Carry Forwards	234	50	602	-	-
Connection Fees	-	-	140	139	174
Equipment Replacement Reserve	2,102	2,374	2,703	4,534	2,569
Buildings and Infrastructure	-	1,973	3,134	1,925	1,280
Tax Sale Land Reserve	4,593	1,866	1,624	404	1,403
Parks and Recreation Facility Reserve	78	72	133	66	333
Off Street Parking Reserve	66	19	448	568	94
Economic Development Reserve	-	-	112	134	375
Innovation Fund	-	-	-	167	33
Casino Revenue	-		-	-	100
Grants and Partnerships	289	2,013	282	277	355
Debt	4,268	894	294	-	-
Water Utility	1,006	1,182	1,471	1,266	2,251
Sewer Utility	856	298	962	831	1,074
Victoria Conference Centre	157	740	427	431	118
	$15,362	$13,557	$16,720	$14,707	$13,816

Source: City of Victoria Finance Department

Demographic Statistic (Based on 1996 Census Figures)

Population

Age	Male	Female	Total	% of Total Population
0 - 4 years	1,555	1,440	2,995	4.1%
5 - 9 years	1,300	1,255	2,555	3.5%
10 - 14 years	1,320	1,265	2,585	3.5%
15 - 19 years	1,420	1,570	2,990	4.1%
20 - 24 years	3,110	3,780	6,890	9.4%
25 - 29 years	3,965	3,860	7,825	10.6%
30 - 34 years	3,420	3,280	6,700	9.1%
35 - 39 years	2,905	2,880	5,785	7.9%
40 - 44 years	2,775	2,790	5,565	7.6%
45 - 49 years	2,565	2,700	5,265	7.2%
50 - 54 years	1,660	1,805	3,465	4.7%
55 - 59 years	1,185	1,460	2,645	3.6%
60 - 64 years	1,140	1,340	2,480	3.4%
65 - 74 years	2,520	3,825	6,345	8.6%
75+ years	2,935	6,475	9,410	12.8%
Total Victoria	33,770	39,735	73,505	100%

Family Income 1996

Under $10,000	785
$10,000 - $19,000	2,165
$20,000 - $29,999	2,175
$30,000 - $39,999	2,375
$40,000 - $49,999	2,400
$50,000 - $59,999	1,860
$60,000 - $69,999	1,495
$70,000 - $79,999	1,055
$80,000 - $89,999	765
$90,000 - $99,999	500
$100,000 and over	1,220

Source: Statistics Canada

Educational Level of Population Aged 15 Years +

To Grade 9	3,085
Grade 9 – 13	
With High School Certificate	6,085
Without High School Certificate	12,070
Trade Certificate	1,900
Other Non University	
With Certificate	11,405
Without Certificate	4,860
University	
With Degree	8,125
Without Degree	10,550
With Certificate	4,975
Total	63,055

Labour Force by Major Occupational Group

Occupation	Male	Female	Total
Management	2,225	1,620	3,845
Business, Finance and Administrative Occupations	2,465	5,230	7,695
Natural and Applied Sciences	1,990	505	2,495
Health	555	1,765	2,320
Social Science, Education, Religion, Government Service	1,515	2,315	3,830
Art, Culture, Recreation and Sport	930	815	1,745
Sales and Service	6,045	6,710	12,755
Trades, Transport and Equipment Operators	3,040	220	3,260
Primary Occupations	555	95	650
Processing, Manufacturing and Utilities	690	240	930
Total	20,010	19,515	39,525

Source: Statistics Canada

Miscellaneous Statistics 1998 - 2002

	1998	1999	2000	2001	2002
Population (latest census)	73,504	73,504	73,504	74,125	74,125
Voters List - Electors	46,804	48,900	48,900	48,900	51,612
Land Area in Hectares	2,335	2,335	2,335	2,335	2,335
Length of Roadways in kms	258	258	260	260	260
Sanitary and Storm Sewers in kms	479	479	479	479	479
Water Distribution System					
Length in kms	304	304	304	304	304
Number of Hydrants	1,379	1,385	1,634	1,641	1,648
Number of Services	18,696	18,650	18,706	19,128	18,346
Fire Protection					
Number of Uniformed Employees	107	107	107	107	107
Number of Civilian Employees	4	4	4	5	4
Number of Stations	3	3	3	3	3
Number of Responses	2,233	2,850	5,622	5,777	5,295
Dollar Value of Losses ($ million)	1.80	1.07	5.67	8.98	4.72
Inspections Performed	7,858	8,363	5,732	5,918	6,172
Police Protection					
Number of Uniformed Employees	178	178	178	186	180
Number of Civilian Employees	56	56	57	59	63
Number of Crimes	22,018	22,729	22,049	21,101	19,581
Parks					
Number of Parks, Playlots, etc.	124	123	123	124	125
Land Area in Hectares	182	258	258	258	258
City of Victoria					
Number of Employees (FTE's)	969	947	969	971	969

Source: City of Victoria

City of Victoria
Corporate Organization Chart

* *The Police Department reports to Police Board which is chaired by the Mayor*

Mayor and Councillors 2002 – 2005

Mayor
Alan Lowe

Portfolio:
Arts and Culture; Emergency Planning

Regional Committee:
Capital Regional District (CRD); CRD Arts Committee; Regional Transit Commission; Capital Region Housing Corporation; Royal and McPherson Theatres Sub-Committee of the Finance, Corporate and Intergovernmental Committee

City of Victoria Committee:
Victoria Conference Centre; Victoria Police Board

Councillor
Chris Coleman

Portfolio:
Parks and Recreation; Finance/Personnel; Economic Development; Environment

Regional Committee:
Victoria Parks and Recreation Foundation

City of Victoria Committee:
Advisory Parks and Recreation Committee; Victoria Athletic Commission; Private Property Maintenance Committee

Neighbourhood:
Rockland/Blanshard/Hillside/Quadra

Councillor
Rob Fleming

Portfolio:
Transportation; Finance/Personnel–Chair; Youth Liaison

Regional Committee:
CRD; CRD Water Supply System; Provincial Capital Commission; Greater Victoria Airport Authority; Capital Region Housing Corp.

City of Victoria Committee:
Advisory Transportation Committee; Youth Liaison

Neighbourhood: James Bay

Councillor
Dean Fortin

Portfolio:
Housing; Parks and Recreation

Regional Committee:
CRD Water Supply System

City of Victoria Committee:
Advisory Housing Committee; CREST

Neighbourhood: Fernwood

Portfolio:
Harbour; Finance/Personnel; Seniors Liaison; Emergency Planning

Regional Committee:
Board of Cemetery Trustees; Greater Victoria Labour Relations; Regional Transit Commission

City of Victoria Committee:
Seniors Liaison

Neighbourhood: Fairfield/Gonzales

Councillor
Bea Holland

Portfolio:
Social Planning

Regional Committee:
Family Court; Greater Victoria Public Library Board

City of Victoria Committee:
Advisory Social Planning Committee; Honouray Citizens Committee; Private Property Maintenance Committee

Neighbourhood: Oaklands

Councillor
Helen Hughes

Portfolio:
Planning and Heritage

Regional Committee: Royal and McPherson Theatres Society; Provincial Capital Commission

City of Victoria Committee:
Advisory Design Panel; Advisory Planning Commission; Heritage Advisory Committee; Public Art Advisory Committee; Victoria Civic Heritage Trust; Victoria Heritage Foundation

Neighbourhood: South & North Jubilee/North Park

Councillor
Pamela Madoff

Portfolio:
Environment

Regional Committee: CRD

City of Victoria Committee:
Advisory Cycling Committee; Environment and Shoreline Advisory Committee; Private Property Maintenance Committee

Neighbourhood: Victoria West/Burnside/Gorge

Councillor
Denise Savoie

Portfolio:
Downtown

Regional Committee: CRD Water Supply System; Tourism Victoria

City of Victoria Committee:
Downtown Advisory Committee

Neighbourhood: Downtown

Councillor
Charlayne Thornton- Joe

Summary of Services and Regional Relationships

The City of Victoria is responsible for the provision of a wide variety of local government services and regulatory duties. These include:

Service Provision	Regulation
Policing	Land Use
Fire Protection	Design Review
Parks	Heritage Preservation
Local Roads	Subdivision
Sidewalks	Business Licensing
Street Lights	Building Permits and Inspection
Recreation	Commercial Vehicle Licensing
City Planning	Dog Licensing
Social Planning	Streets and Traffic
Garbage Collection	Fire Prevention
Water Distribution	Environment
Sanitary and Storm Sewers	Nuisances
Victoria Conference Centre	

The City of Victoria is one of thirteen (13) members of the Capital Regional District (CRD) that provides and coordinates selected local, regional and municipal services.

Community Health
Management and Supply of Water Resources
Environmental Waste Management
Affordable Housing
Solid Waste Landfill
Sewage Treatment

Typical local government services that are not an assumed responsibility of the City of Victoria include:

School System	Local School Board
Social and Health Programs	Provincial Government
Hospital Care Systems	Provincial Government
Real Property Assessments	BC Assessment Authority
Employee Pension Plan	Municipal Superannuation Plan
Debt Marketing	Municipal Finance Authority
Public Library System	Greater Victoria Public Library

The City of Victoria
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www.city.victoria.bc.ca

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City Hall, Harbour Ferry, Japanese Dancers (City of Victoria Planning Department), Cellist (Gordon Lee)

Back Cover
Heritage Building (provided by The New VI [CIVI TV] a division of CHUM Limited.), Heron (Miss Rhiannon Hamdi), Young Couple (Gordon Lee), Totem (City of Victoria Parks Division)

Inside Pages
page 4, 6, 30: Frances Litman
page 9, 24: Gordon Lee
page 10: Miss Rhiannon Hamdi
pages 15, 16, 19, 25: City of Victoria Planning Department
page 21: Stephan Jacob
page 68, 69: City of Victoria Engineering Department except photo of Mayor (Frances Litman)